COLABOR GROUP INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
("MD&A")

First quarter of 2024

12-week period ended March 23, 2024

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1. Scope of the MD&A and Notice to Investors

This Management's Discussion & Analysis ("MD&A") of Colabor Group Inc. and its subsidiaries (the "Company" or "Colabor") discusses the Company's net loss, comprehensive loss, financial situation and cash flows for the first quarter ended March 23, 2024, whose numbers are unaudited. This report should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes for this period and the audited consolidated financial statements and accompanying notes for the fiscal year ended December 30, 2023, along with the associated annual MD&A. These financial statements are in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standard Board ("IASB"). The financial statements have been published on the following sites: www.sedarplus.ca and www.colabor.com.

Forward-Looking Statements

This MD&A contains certain forward-looking statements as defined under applicable securities law. Forward-looking information may relate to Colabor's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee"; "ensure" or other similar expressions concerning matters that are not historical facts. Particularly, statements regarding the Company's financial guidelines, future operating results and economic performance, objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which Colabor believes are reasonable as of the current date. Refer in particular to section 2.2 "Development Strategies and Outlook" of this MD&A. While Management considers these assumptions to be reasonable based on information currently available to the Company, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what Colabor currently expects. For more exhaustive information on these risks and uncertainties, the reader should refer to section 6 "Risks and Uncertainties" of this MD&A. These factors are not intended to represent a complete list of the factors that could affect Colabor and future events and results may vary significantly from what Management currently foresees. The reader should not place undue importance on forward-looking information contained in this MD&A, information representing Colabor's expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made), which are subject to change after such date. While Management may elect to do so, the Company is under no obligation (and expressly disclaims any such obligation) and does not undertake to update or alter this information at any particular time, whether as a result of new information, future events or otherwise, except as required by law.

Seasonality

Colabor's fiscal year is comprised of thirteen periods of four weeks each. The first three quarters are comprised of three periods each and the fourth quarter includes four periods. The Company's year-end is the last Saturday of December.

As such result, the Company's sales and net earnings are proportionally less significant for the first, second and third quarters and more significant for the fourth quarter since the latter generally has 33% more days of operation in comparison with the other quarters of the period. Additionally, the Company's sales are seasonal, therefore generally lower sales volume is recorded during the first quarter in comparison with the other quarters.

Additionally, working capital generally fluctuates throughout the fiscal year due to the seasonal nature of operations, especially during Spring and Summer, and during the Holiday Season (i.e. Christmas and Easter). In order to meet higher seasonal demand, inventory requirements increase as well as trade and other receivables. The credit facility is used when needed to support this seasonal activity.

The shares of Colabor Group Inc. are traded on the Toronto Stock Exchange under the symbol GCL.

Additional information concerning the Company may be found on SEDAR+ at www.sedarplus.ca and on Colabor's website at www.colabor.com. The information contained on the Company's website is not included by reference in this MD&A.

2. About Colabor

2.1 Business Developments in 2024

During the 12-week period ended March 23, 2024, the following events have influenced the Company's general development and operations, reflecting the evolution of Colabor's transformational plan and growth.

Acquisition of assets

On March 15, 2024, the Company has acquired certain assets related to foodservice activities from Beaudry & Cadrin Inc. ("the Assets acquisition"). Refer to Note 7 Intangible assets of the interim condensed consolidated financial statements for further details.

Amendment and restatement of the credit facility

On March 18, 2024, the Company entered into an amended and restated senior secured credit facility for a total amount of $71.8 million including a term loan of $21.8 million and a revolving credit of $50.0 million, of which $5.0 million in operating swingline. The credit facility, as amended and restated, now matures on February 18, 2028. The facility bears interest at the cost of funds, plus a margin varying between 1.75% to 2.75% depending on the Company's financial ratios. The credit agreement includes an accordion clause allowing, by mutual agreement, the credit facility to be increased by an additional $35.0 million and thus authorizing the repayment at maturity of our subordinated debt if the related conditions are met.

2.2 Development Strategies and Outlook

Colabor has as main financial objectives to increase profitability and create value for its shareholders. In 2024, to achieve its objectives, the strategic plan is defined and based on the following pillars:

1. Accelerate the development of new distribution territories in Quebec
    - Continue the development in Western Quebec; and
    - Seize acquisition opportunities.
2. Optimize profitability and efficiencies
    - Improve product category management;
    - Continue the development of its private brands;
    - Increase specialized distribution (meat and fish); and
    - Investment and modernization of certain distribution centers/divisions.
3. Attract, retain and develop talent
    - Optimize the benefits of our new employer brand; and
    - Invest in employee training.
4. Renew and refresh our image
    - Continue to expand the local offering;
    - Investment in brand image; and
    - Implementation of environment, social and governance ("ESG") objectives.

Evolution of the 2024 Plan

At the end of 2023, we have moved to our new facilities in Saint-Bruno-de-Montarville, which represented the accomplishment of a key milestone in Colabor's next growth phase. During the first quarter of 2024, we are therefore finalizing the installation of those custom-designed facilities to allow Colabor to accelerate the growth of Distribution activities in Western Quebec. With this growth in mind, we also continued to invest in our sales force to break into certain regions of Western Quebec during the first quarter of 2024.

Furthermore, we have also completed the Assets acquisition as mentioned previously, which is perfectly in line with our growth objective.

2.3 Key Financial Performance Indicators

Performance Indicators	**12 weeks**	
(in thousands of dollars, except financial leverage ratio)	**2024**	**2023**
	$	**$**
Results and cash flow		
Sales from continuing operations	**131,200**	133,923
Net loss from continuing operations	**(1,776)**	(160)
Adjusted EBITDA(1)	**4,882**	5,574
Cash flows from operating activities	**11,745**	807
Financial position	**As at March 23, 2024**	**As at December 30, 2023**
	$	**$**
Working Capital(2)	**46,506**	53,981
Financial Leverage Ratio(3)	**2.3x**	2.4x
Net debt(4)	**56,813**	61,481

(1) Non-IFRS measure. Refer to the table Reconciliation of Net Loss to adjusted EBITDA in section 5 "Non-IFRS Performance Measures". Adjusted EBITDA corresponds to net operating earnings before costs not related to current operations, depreciation and amortization and expenses for stock-based compensation plan.
(2) Working capital is a non-IFRS performance measure. Working capital is an indicator of the Company's ability to hedge its current liabilities with its current assets. Refer to section 3.2 "Financial Position" for detailed calculation.
(3) Financial leverage ratio is an indicator of the Company's ability to service its long-term debt. It is defined as net debt / adjusted EBITDA less lease liability payments for the last four quarters. Refer to section 5 "Non-IFRS Performance Measures".
(4) Non-IFRS measure. Refer to section 5 "Non-IFRS Performance Measures". Net debt corresponds to bank indebtedness, current portion of long-term debt and long-term debt, net of cash.

First Quarter Highlights

- Consolidated sales of the first quarter were $131.2 million, down 2.0% compared to the corresponding period of 2023. This decrease is explained by a more difficult macroeconomic environment during the first quarter of 2024 that directly affected the restaurant industry.
- First quarter net loss from continuing operations was $1.8 million, up $1.6 million, compared to a net loss of $0.2 million for the corresponding quarter of 2023. This result is explained by the decrease in adjusted EBITDA(1) and the increase in depreciation and amortization expenses and financial expenses.
- First quarter adjusted EBITDA(1) from continuing operations amounted to $4.9 million or 3.7% of sales from continuing operations compared to $5.6 million or 4.2% of sales from continuing operations in 2023.

- Net debt[4] decreased to $56.8 million as at March 23, 2024, compared to $61.5 million at the end of fiscal year 2023, resulting from credit facility repayment of $3.0 million. The financial leverage ratio[3] was 2.3x, as at March 23, 2024, compared to 2.4x at the end of fiscal 2023.
- As at March 23, 2024, the Company's working capital[2] was $46.5 million, down from $54.0 million at the end of fiscal year 2023. This decrease is explained among other things by the seasonality effect.

3. Operational and Financial Results

3.1 Operating Results

Summary of Operating Results for the 12-week period ended March 23, 2024

(in thousands of dollars, except percentages)

	12 weeks		
	2024	**2023**	**Variance**
	$	**$**	**%**
Sales	**131,200**	133,923	(2.0)
Cost of goods sold	**106,622**	108,828	(2.0)
Operating expenses[2]	**19,696**	19,521	0.9
Operating costs	**126,318**	128,349	(1.6)
Adjusted EBITDA[1]	**4,882**	5,574	(12.4)
Adjusted EBITDA margin[1]	**3.7%**	4.2%	

[1] The adjusted EBITDA and the adjusted EBITDA margin are non-IFRS measures. Refer to section 5 "Non-IFRS Performance Measures". The adjusted EBITDA margin is calculated as adjusted EBITDA divided by sales for the corresponding period.
[2] The operating expenses are adjusted to exclude the expenses related to stock-based compensation plans.

3.1.1 Consolidated Sales

Consolidated sales for the first quarter of 2024 were $131.2 million compared to $133.9 million during the corresponding quarter of last fiscal year, representing a decrease of 2.0%.

Distribution activities sales have increased by 0.4%, mainly explained by a volume increase, part of which is related to new contracts and the development of new territories, as well as the impact of inflation. This growth was mitigated by a more difficult macroeconomic environment during the first quarter of 2024 directly affecting the restaurant industry.

Wholesale activities sales have decreased by 8.7%, mainly explained by a more difficult macroeconomic environment during the first quarter of 2024, as explained previously, and mitigated by the impact of inflation.

3.1.2 Operating Costs

Consolidated operating costs for the first quarter of 2024 were $126.3 million compared to $128.3 million for the corresponding period of last fiscal year, a decrease of 1.6%.

The decrease in operating costs is mostly explained by the decrease in cost of goods sold of 2.0% in connection with the sales decrease of 2.0%. Gross margin for the first quarter of 2024 remained stable compared to 2023.

The increase in operating expenses is explained by the increase in salaries and benefits in connection among other things with the rising cost of living, as well as investments to expand our territory.

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3.1.3 Adjusted EBITDA

Adjusted EBITDA[1] for the first quarter of 2024 amounted to $4.9 million compared to $5.6 million in the corresponding quarter of the previous year, a decrease of 12.4% and as a percentage of sales, adjusted EBITDA margin[1] reached 3.7% compared to 4.2% for the corresponding period of 2023. These variations are mainly explained by the sales decrease and the increase of operating expenses, as explained above.

3.1.4 Depreciation and Amortization

Depreciation and Amortization for the 12-week period ended March 23, 2024

(in thousands of dollars, except percentages)

	12 weeks		
	2024	**2023**	**Variance**
	$	**$**	**%**
Depreciation of property, plant and equipment	**716**	1,006	(28.8)
Amortization of intangible assets	**996**	945	5.4
Depreciation of right-of-use assets	**2,859**	2,510	13.9
Depreciation and Amortization	**4,571**	4,461	2.5

For the 12-week period ended March 23, 2024, depreciation and amortization expense was up by 2.5%, compared to the same period of 2023, and is mainly explained by the increase in the depreciation of right-of-use assets following the renewal and the coming into force of new leases over the last 12 months, mitigated by a decrease in property, plant and equipment depreciation.

3.1.5 Financial Expenses

Financial expenses for the 12-week period ended March 23, 2024

(in thousands of dollars, except percentages)

	12 weeks		
	2024	**2023**	**Variance**
	$	**$**	**%**
Interest on credit facility	**670**	476	40.8
Interest on subordinated debt	**250**	250	—
Interest on lease obligations	**1,548**	378	310.3
Other	**121**	138	(12.3)
Financial expenses	**2,589**	1,242	108.5

Financial expenses for the 12-week period ended March 23, 2024 amounted to $2.6 million, compared to $1.2 million for the corresponding period of 2023. This increase is explained by higher lease obligations including the promises located in Saint-Bruno-de-Montarville which we took possession towards the end of last fiscal year, higher interest rates and an increased debt level.

3.1.6 Income Taxes

In the first quarters of 2024 and 2023, income taxes recovery was $0.6 million and $0.1 million, respectively. The variation is essentially explained by the increase of loss before taxes.

[1] EBITDA and Adjusted EBITDA are non-IFRS measures. Refer to section 5 "Non-IFRS performance measures" for definitions and reconciliations to the most directly comparable IFRS measures.

3.1.7 Net Loss

Net loss of the 12-week period ended March 23, 2024

(in thousands of dollars, except net loss per share and percentages)

	12 weeks		
	2024 **$**	**2023** **$**	**Variance** **%**
Net loss from continuing operations	**(1,776)**	(160)	1,010.0
Net loss from discontinued operations	**—**	—	—
Net loss	**(1,776)**	(160)	1,010.0
Basic and diluted net loss per share from continuing operations	**(0.02)**	—	100.0
Basic and diluted net loss per share from discontinued operations	**—**	—	—
Basic and diluted net loss per share	**(0.02)**	—	100.0

Net loss from continuing operations and net loss for the first quarter of 2024 were $1.8 million, or $(0.02) per share, compared to $0.2 million, or $0.00 per share for the corresponding period of last fiscal year. The main variations in the quarter are a decrease of the adjusted EBITDA[1] as explained previously, combined with higher depreciation and amortization, and financial expenses, mitigated by higher income taxes recovery. The weighted average number of basic shares outstanding during the 12-week period was 101,986,464, compared to 101,954,885 for the corresponding period of 2023.

3.2 Financial Position

The following table presents the main elements of consolidated current assets and liabilities, that make up the Company's working capital[2].

(in thousands of dollars)

	As at March 23, 2024 **$**	**As at December 30, 2023** **$**	**Variance** **$**
Current assets			
Trade and other receivables	**47,436**	48,544	(1,108)
Inventories	**47,453**	50,730	(3,277)
Current assets	**94,889**	99,274	(4,385)
Current liabilities			
Trade and other payables	**48,383**	45,293	3,090
Working capital[2]	**46,506**	53,981	(7,475)

[2] Working capital is a non-IFRS performance measure. The Company calculates its working capital as described above. See section 1 "Scope of the MD&A and Notice to Investors" for more information on the seasonality of sales.

As at March 23, 2024, the Company's working capital[2] was $46.5 million, down by $7.5 million compared to the end of the last fiscal year. This decrease is explained as follows:

Trade and Other Receivables

Trade and other receivables balance was down $1.1 million from December 30, 2023, due to lower sales in the first quarter of 2024 compared to the fourth quarter of 2023, explained by the effect of seasonality.

[1] EBITDA and Adjusted EBITDA are non-IFRS measures. Refer to section 5 "Non-IFRS performance measures" for definitions and reconciliations to the most directly comparable IFRS measures.

Inventories

Inventory balance decreased by $3.3 million from December 30, 2023. This decrease is explained by an improvement in inventory turnover rate and a lower demand caused by the effect of seasonality.

Trade and Other Payables

The balance of trade and other payables increased by $3.1 million from December 30, 2023, mainly due to timing of supplier payments.

3.3 Other Significant Changes in Financial Position

The following table presents the other significant items of the Company's financial position as at March 23, 2024, and their corresponding variances from the fiscal year ended December 30, 2023.

(in thousands of dollars)

	As at March 23, 2024 $	As at December 30, 2023 $	Variance $
Property, Plant and Equipment	**23,296**	23,510	(214)
Intangible Assets	**20,359**	18,498	1,861
Right-of-use Assets	**105,353**	106,954	(1,601)
Deferred Tax Assets	**2,789**	2,118	671
Long-Term Debt	**55,332**	58,522	(3,190)
Lease Liabilities	**111,229**	110,937	292
Contingent Consideration	**1,029**	646	383
Equity Attributable to Shareholders	**106,664**	108,479	(1,815)

Property, Plant and Equipment

The decrease in property, plant and equipment is mainly due to depreciation, offset by acquisitions.

Intangible Assets

The increase in intangible assets is mainly due to the Assets acquisition for an amount of $2.5 million, offset by amortization.

Right-of-use Assets

The decrease in right-of-use assets is mainly due to depreciation, mitigated by the signing of new leases.

Deferred Tax Assets

The increase in deferred tax assets comes mainly from the creation of tax attributes during the period.

Long-Term Debt

Long-term debt decrease is mainly due to the repayments of the credit facility during the period.

Lease Liabilities

The increase in lease liabilities is mainly due to the signing of new leases, mitigated by the payments made during the period.

Contingent Consideration

The increase in contingent consideration comes mainly from the Assets acquisition.

Equity Attributable to Shareholders

The reduction in shareholders' equity is mainly due to net loss and other comprehensive loss for the period.

3.4 Data Related to Outstanding Shares

The following table presents the Company's shares and options data as at April 30, 2024. Refer to Note 6 of the interim condensed consolidated financial statements for further details.

(in thousands of dollars, except the number of shares and the number of stock-options)

	Number of shares / stock-options	Amount $
Common shares		
Participating and voting common shares	101,986,464	257,054
Options on participating and voting stock		
Outstanding options	4,159,352	
Exercisable options	2,789,352	

3.5 Cash Flows

The following table represents consolidated cash flows of the 12-week period ended March 23, 2024.

(in thousands of dollars)

	12 weeks	
	2024 $	2023 $
Cash flows from operating activities	**11,745**	807
Cash flows from investing activities	**(3,670)**	(1,384)
Cash flows from financing activities	**(6,319)**	354
Net change in cash and cash equivalents from continuing operations	**1,756**	(223)
Bank indebtedness at the beginning	**(3,000)**	(1,275)
Bank indebtedness at the end	**(1,244)**	(1,498)

Operating Activities

Cash flows from operating activities amounted to $11.7 million for the 12-week period of 2024 compared to $0.8 million for the corresponding period of 2023. This increase is mainly due to lower utilization of working capital(2), mitigated by lower adjusted EBITDA(1). The lower utilization of working capital(2) is explained by a higher collection of receivables in 2024 and timing of inventories purchases and supplier payments.

Investing Activities

Cash flows used in investing activities amounted to $3.7 million for the 12-week period ended March 23, 2024, compared to $1.4 million for the corresponding period of 2023. The variation is mainly due to the acquisition of intangible assets of $2.5 million as part of the Assets acquisition.

Financing Activities

Cash flows used by financing activities amounted to $(6.3) million for for the 12-week period ended March 23, 2024, up from $0.4 million for the corresponding period of 2023. The variation is primarily due to the repayment of $3.0 million of the credit facility in 2024, compared to an additional use of $4.0 million in 2023.

(1) EBITDA and Adjusted EBITDA are non-IFRS measures. Refer to section 5 "Non-IFRS performance measures" for definitions and reconciliations to the most directly comparable IFRS measures.

(2) Working capital is a non-IFRS performance measure. Working capital is an indicator of the Company's ability to hedge its current liabilities with its current assets. Refer to section 3.2 "Financial Position" for detailed calculation.

3.6 Capital Resources

As mentioned in section 2.1 Business Developments in 2024, the Company entered into an amended and restated senior secured credit facility during the first quarter of 2024.

As at March 23, 2024, the Company was in compliance with all debt covenants. The Company is expecting to be able to meet its obligations for the next 12 months by using future cash flows from operations and the unused portion of the credit facility. As at March 23, 2024, the available credit facility is $25.0 million. Refer to section 9 for liquidity risk management.

4. Summary of Recent Quarters

The following table presents a summary of results for the last eight quarters:

(in thousands of dollars, except per share data)

	2024	2023				2022		
	Q1 (12 weeks) $	Q4 (16 weeks) $	Q3 (12 weeks) $	Q2 (12 weeks) $	Q1 (12 weeks) $	Q4 (17 weeks) $	Q3 (12 weeks) $	Q2 (12 weeks) $
Sales	**131,200**	196,320	164,700	164,186	133,923	193,246	145,670	137,986
Adjusted EBITDA[1]	**4,882**	11,652	11,034	9,294	5,574	9,855	8,894	8,006
Costs not related to current operations	**99**	787	99	2	49	107	102	831
Net (loss) earnings from continuing operations	**(1,776)**	354	3,539	2,314	(160)	1,682	2,832	1,690
Net loss from discontinued operations	**—**	(455)	—	—	—	(419)	—	(14)
Net (loss) earnings	**(1,776)**	(101)	3,539	2,314	(160)	1,263	2,832	1,676
Basic and diluted net (loss) earnings per share from continuing operations	**(0.02)**	—	0.03	0.02	—	0.02	0.03	0.02
Basic and diluted net (loss) earnings per share	**(0.02)**	—	0.03	0.02	—	0.01	0.03	0.02

Net earnings for the first quarter of each financial year are generally negatively impacted by seasonality. Fourth quarter sales of 2022 include an additional week compared to 2023. Net loss for the fourth quarter of 2023 was negatively impacted by costs not related to current operations related to the relocation of the head office and warehouse, which were located in Boucherville, to new premises in Saint-Bruno-de-Montarville.

5. Non-IFRS Performance Measures

This MD&A also contains information that follows non-IFRS measures of performance. Such information should not be considered in isolation or as a substitute for other IFRS performance measures, but rather as supplementary information. These measures are widely used in the financial community to evaluate the profitability of operations. They reflect the inclusion or exclusion of certain amounts that are not considered representative of the Company's recurring financial performance. Since these concepts are not defined by IFRS, they may not be comparable with those of other companies.

(1) EBITDA and Adjusted EBITDA are non-IFRS measures. Refer to section 5 "Non-IFRS performance measures" for definitions and reconciliations to the most directly comparable IFRS measures.

Adjusted EBITDA

It is a measure commonly used by management, as well as investors and analysts, that can assess of an entity's performance and capacity of generating cash flows from its current operations. Adjusted EBITDA corresponds to net loss to which the following items are added: depreciation and amortization, costs not related to current operations, expenses for stock-based compensation plan, financial expenses and income taxes.

Reconciliation of Net Loss to Adjusted EBITDA

(in thousands of dollars)

	12 weeks	
	2024	**2023**
	$	**$**
Net loss from continuing operations	**(1,776)**	(160)
Income taxes recovery	**(616)**	(107)
Financial expenses	**2,589**	1,242
Operating earnings	**197**	975
Expenses for stock-based compensation plan	**15**	89
Costs not related to current operations	**99**	49
Depreciation and amortization	**4,571**	4,461
Adjusted EBITDA	**4,882**	5,574

Net Debt

Net debt corresponds to bank indebtedness, current portion of long-term debt and long-term debt, net of cash as presented in Colabor's consolidated statements of financial position. The measure is used by investors and is used to calculate the financial leverage ratio.

The following table presents the calculation of net debt:
(in thousands of dollars)

	As at March 23, 2024	**As at December 30, 2023**
	$	**$**
Bank indebtedness	**1,063**	2,731
Current portion of long-term debt	**3,000**	3,000
Long-term debt	**52,750**	55,750
Net debt	**56,813**	61,481

Financial Leverage Ratio

The financial leverage ratio is defined as net debt divided by adjusted EBITDA from continuing operations from which are deducted the lease liability payments for the last four quarters as presented in the consolidated statement of cash flows, and used by management to assess its ability to borrow capital.

The following table presents the calculation of financial leverage ratio:
(in thousands of dollars)

	As at March 23, 2024 $	As at December 30, 2023 $
Last four-quarter adjusted EBITDA	**36,862**	37,554
Last four-quarter lease liability payments	**11,682**	12,390
Financial Leverage Ratio	**2.3x**	2.4x

6. Risks and Uncertainties

The Company’s activities are subject to numerous risks and uncertainties that are described in detail in its February 29, 2024, Annual Information Form (the “AIF”), which may be viewed on the SEDAR+ website at www.sedarplus.ca and on the Company's website at www.colabor.com. The risks described in the AIF are incorporated by reference in this MD&A.

7. Significant Estimates and Judgments

The preparation of the financial statements requires the management of the Company to undertake some judgments and estimates about the recognition and measurement of the assets, liabilities, revenues and expenses which are based on the facts and information that are available to management. Management has revised its judgments and estimates as part of the preparation of its interim condensed consolidated financial statements and concluded that there was no significant change as of March 23, 2024, compared to December 30, 2023.

8. Internal Controls Over Financial Reporting

Management has designed and assessed disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR) to provide reasonable assurance that the financial information presented by the Company is reliable and that the financial statements it releases to the public are prepared in accordance with IFRS.

The President and CEO as well as the Senior Vice President and Chief Financial Officer have assessed, in accordance with Regulation 52-109 respecting Certification of Disclosure in Issuers’ Annual and Interim Filings, the design of ICFR and DC&P as at March 23, 2024. On the basis of this assessment, they have concluded that the design of ICFR and DC&P are adequate. For the 12-week period ended March 23, 2024, the President and CEO as well as the Senior Vice President and Chief Financial Officer have also assessed that there were no changes in the internal control over financial reporting process or in the disclosure controls and procedures that have materially affected, or are reasonably likely to materially affect, internal controls and procedures.

9. Financial Instruments

A) Fair value

Fair value of cash and cash equivalent, trade and other receivables as well as trade and other payables is equivalent to the carrying amount due to their short-term maturity. Therefore, the time value of money is non-significant.

The carrying amount and fair value of the other financial instruments in the consolidated statements of financial position are as follows:

(in thousands of dollars)

		As at March 23, 2024		As at December 30, 2023
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Financial asset				
Current				
Derivative financial instrument	**339**	**339**	—	—
Non-current				
Derivative financial instrument	**—**	**—**	413	413
Financial liabilities				
Current				
Contingent consideration	**673**	**673**	646	646
Non-current				
Credit facility	**40,427**	**40,750**	43,629	43,750
Subordinated debt	**14,905**	**15,000**	14,893	15,000
Contingent consideration	**356**	**356**	—	—
	56,361	**56,779**	59,168	59,396

The fair value of the interest rate swap is calculated at the present value of the estimated future cash flows using an appropriate interest rate yield curve. Assumptions are based on market conditions prevailing at each reporting date. The fair value of derivative instrument reflects the estimated amounts that the Company would receive or pay to settle the contract at the reporting date. As at March 23, 2024, the fair value of the interest rate swap is an asset of $0.3 million and is accounted for under Other in the current assets of the consolidated statement of financial position.

The fair value of contingent consideration was determined by discounting future cash flows at the Company's marginal borrowing rate and the current portion is accounted for under Other in the current liabilities of the consolidated statement of financial position.

The fair value of the credit facility is comparable to the carrying amount as the interest rate fluctuates with the market rate with conditions comparable to those prevailing in the market.

The fair value of subordinated debt was determined by discounting future cash flows at 7.25% (7.25% as at December 30, 2023), the current rate of subordinated debt.

Fair value measurement

The valuation techniques as well as the significant observable market data used in the measurement of Level 2 and Level 3 fair values are the same as those described in the consolidated financial statements for the year ended December 30, 2023.

There was no transfer between the levels during the 12-week period ended March 23, 2024.

B) Financial risks management

The Company is exposed to various financial risks resulting from its operating, investing and financing activities. The Company's management manages financial risks in the purpose of limiting the Company's main financial risk exposure. The Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

There were no significant changes in the Company's risk exposure during the 12-week period ended March 23, 2024 compared to the description given in the consolidated financial statements for the year closed on December 30, 2023.